

**REPORT OF THE AUDIT OF THE
MEADE COUNTY
FISCAL COURT**

**For the Fiscal Year Ended
June 30, 2007**

**EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
MEADE COUNTY FISCAL COURT**

June 30, 2007

Richardson, Pennington & Skinner, PSC has completed the audit of the Meade County Fiscal Court for fiscal year ended June 30, 2007. We have issued an unqualified opinion on the governmental activities, business-type activities, the aggregate discretely presented component unit, and each major fund.

We did not audit the financial statements of the Meade County Solid Waste Department, a discretely presented component unit. Other auditors audited those financial statements, and our opinion, insofar as it relates to the amounts included for the Meade County Solid Waste Department, is based on the report of the other auditors.

Financial Condition:

The fiscal court had net assets of \$11,060,745 as of June 30, 2007. The fiscal court had unrestricted net assets of \$5,181,046 in its governmental activities as of June 30, 2007, with total net assets of \$11,044,681. In its business activities, total net cash and cash equivalents were \$17,512 with total net assets of \$16,064. The fiscal court's discretely presented component unit had net assets of \$(244,654) as of June 30, 2007. The discretely presented component unit had cash and cash equivalents of \$230,569. The fiscal court had total debt principal as of June 30, 2007 of \$11,861,000 with \$370,000 due within the next year. The discretely presented component unit had total debt principal as of June 30, 2007 of \$738,717 with \$69,634 due within the next year.

Deposits:

As of June 30, 2007, all of the fiscal court's deposits were insured and collateralized by bank securities or bonds.

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Joseph E. Richardson
William A. Talley
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Bob E. Wientjes
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Kentucky Offices:
Louisville
Brandenburg
Hardinsburg
Leitchfield

To the People of Kentucky
Honorable Steven L. Beshear, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable Harry Craycroft, Meade County Judge/Executive
Members of the Meade County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each major fund of Meade County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Meade County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Meade County Solid Waste Department, a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Meade County Solid Waste Department, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

As described in Note 1, Meade County, Kentucky, prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the

aggregate discretely presented component unit, and each major fund of Meade County, Kentucky, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2008 on our consideration of Meade County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 8 through 16 and 45 through 48 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Meade County's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents have been subjected to auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

Richardson, Pennington & Skinner, PSC.

Louisville, Kentucky
May 22, 2008

MEADE COUNTY OFFICIALS

For The Year Ended June 30, 2007

Fiscal Court Members:

Harry S. Craycroft	County Judge/Executive
Thomas J. Goddard	Magistrate
Herbert Chism II	Magistrate
Mark D. Hubbard	Magistrate
Anthony Staples	Magistrate
Steve Wardrip	Magistrate
Randall Hardesty	Magistrate

Other Elected Officials:

Margaret L. Matney	County Attorney
Troy Seelye	Jailer
Katrina Fitzgerald	County Clerk
Evelyn D. Medley	Circuit Court Clerk
William Kerrick	Sheriff
Mark Straney	Property Valuation Administrator
Bill Adams	Coroner

Appointed Personnel:

Shirley Fackler	County Treasurer
Mandy Sturgeon	Payroll Officer
Mary Coghill	Finance Officer

**MEADE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

The financial management of Meade County, Kentucky offers readers of Meade County's financial statements this narrative overview and analysis of the financial activities of Meade County for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

Financial Highlights

- Meade County had net assets of \$11,060,745 as of June 30, 2007. The fiscal court had unrestricted net assets of \$5,197,110, and \$5,181,046 of that is in governmental activities, as of June 30, 2007. In its business-type activities, cash and cash equivalents were \$17,512, which also equaled total assets. Total debt principal as of June 30, 2007 was \$11,861,000 with \$370,000 due within in one year.
- The government's total net assets increased by \$541,617 from the prior year.
- At the close of the current fiscal year, Meade County's governmental funds reported a fund balance of \$5,921,402. Of this amount, \$5,181,046 is available for spending at the government's discretion (unreserved fund balance).
- Meade County's total indebtedness for governmental activities at the close of fiscal year June 30, 2007 was \$11,861,000 of which \$11,491,000 is long-term debt (due after 1 year) and \$370,000 is short-term debt (to be paid within 1 year).
- Meade County Fiscal Court received \$75,625 in excess fees from the Meade County Sheriff for year ending 2006. The Fiscal Court voted to use these monies to purchase (2) 2007 Crown Victoria's and (1) Chevy Impala Police Sedan for the Sheriff's Department in the amount of \$63,287. Fiscal Court also voted to install lights and other equipment on these vehicles for \$13,338.
- Meade County received \$1,495 from Lincoln Trail Recreational Trails. These monies were spent for a walkway in Meade Olin Park.
- A 2007 Ford E 350 ambulance was purchased for the county for \$91,713. The county received a Block Grant from the KY Board of Emergency Medical Services for \$10,684 to help with this purchase.

**Meade County
Management's Discussion and Analysis
June 30, 2007
(Continued)**

Financial Highlights (Continued)

- Meade County Fiscal Court currently employs through the Meade County Ambulance Service, 9 full time EMT's and 9 full time paramedics. The Meade County Ambulance Service also staff's 7 part time EMT's and 6 part time Paramedics for a total of over two hundred years of field experience. Three ambulances are currently staffed 24 hours per day, 7 days a week, and are strategically placed throughout the county. A new ambulance is purchased each year, rotating the older ambulances out of service.
- A robotic ambulance was purchased for \$5,619. Andy the Ambulance is a miniature-animated robot that helps teach kids at local schools, daycare's and public events about safety with some added fun. A Meade County EMS website has been developed with a lot of hard work, dedication and support from the public and local businesses. The website was created to inform the community about Andy the Ambulance Program, which not only teaches safety but also teaches adults and children when to call 911 and what to do while waiting.
- Meade County Fiscal Court employs a full time animal control officer and a full time assistant. The county was awarded a \$1,000 grant through the Department of Agriculture in which the county bought equipment for the animal shelter. Meade County Fiscal Court also purchased a used 2004 Chevy Silverado pick-up with topper, to be used by the Animal Control Officer for \$16,100.
- Meade County Fiscal Court appropriated \$4,272 to pay for the electrical bill on the Senior Citizen's building during July 01, 2006 through June 30, 2007.
- Meade County allocated \$18,910 in promoting tourism for Meade County.
- Meade County Fiscal Court contracted to have Old Ekron Road restriped for \$10,587.
- A new 2006 GMC Peterson Dump Truck was purchased for \$70,209, along with a new Flink Snow Plow and lights for \$12,996. This will add an additional truck with snowplow to the Meade County Road Department for county emergencies.
- Meade County Fiscal Court allocated \$7,500 to Rhodelia, Wolfcreek and Muldraugh Fire Departments, which are non-taxing districts.

**Meade County
Management's Discussion and Analysis
June 30, 2007
(Continued)**

Financial Highlights (Continued)

- Homeland Security awarded Meade County \$27,487 for all Meade County Fire Departments to purchase 16 handheld radios with equipment.
- Meade County Fiscal Court entered into an agreement with the KY Department of Transportation for the County Road Aid Agreement of \$467,150.
- Meade County Fiscal Court made final payment on Road Grader in the amount of \$123,000.
- Meade County received a grant from Kentucky Emergency Management for \$5,000 to be distributed to the Ekron Fire Department for an air bag set.
- Meade County Fiscal Court received \$250,830 through the Community Development Block Grant for the renovation of the Meade County Health Department.
- Meade County Fiscal Court received \$97,818 from Homeland Security for Law Enforcement terrorism Prevention Program. This grant was used to install the Computer Aided Dispatching System (CAD) for the enhanced E911 system. An additional grant from Homeland Security for \$25,781 was received and used to purchase mobile data terminals for the Meade County Sheriff's Department.

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Meade County's basic financial statements. Meade County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Meade County
Management's Discussion and Analysis
June 30, 2007
(Continued)**

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Meade County's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information of all of Meade County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Meade County is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund activities.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Meade County's governmental activities include general governmental protection to persons and property, roads, recreation, and social services. The County has one business type activity – the operation of a jail canteen.

The government-wide financial statements include not only Meade County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Meade County has one such entity, the Meade County Solid Waste Department. It is known as a component unit.

**Meade County
Management's Discussion and Analysis
June 30, 2007
(Continued)**

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Meade County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements. All of the funds of Meade County can be divided into two broad categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Meade County maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, CDBG Fund, Jail Fund, Local Government Economic Assistance Fund, and Jail Bond Proceeds Fund, all of which are considered major funds by the County.

Meade County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for the General, Road, Jail, and LGEA Funds to demonstrate compliance with their budgets.

**Meade County
Management's Discussion and Analysis
June 30, 2007
(Continued)**

Proprietary Funds

Proprietary funds provide the same type of information as the business-type activities column on the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As a result of the County implementing the GASB 34 accounting format, we can compare this year's data with last year.

	<u>FY 2006</u>	<u>FY 2007</u>
Total Assets	\$ 22,701,649	\$ 22,923,193
Total Liabilities	<u>12,182,521</u>	<u>11,862,448</u>
Net Assets	<u>\$ 10,519,128</u>	<u>\$ 11,060,745</u>

Key elements of this are as follows:

- Cash and cash equivalents decreased by \$111,715
- Due from Meade County Water District decreased by \$62,000
- A new Due from Meade County Solid Waste Department increased to \$450,000
- Investments in capital assets, net of related debt increased 625,306
- Liabilities decreased by \$320,073
- Program Revenues were \$3,987,314 for the Governmental Activities; Business-type Activities \$113,603; and the Component Unit \$1,501,286. General Revenues were \$4,255,565 for Governmental Activities; Business-type Activities \$15,740 for a total of \$8,242,879 and \$129,343, respectively, as reflected in the Statement of Activities.
- Expenditures totaled \$7,697,257 for the Governmental Activities; Business-type Activities \$117,608; and the Component Units \$1,673,216 as reflected in the Statement of Activities.

**Meade County
Management's Discussion and Analysis
June 30, 2007
(Continued)**

Financial Analysis of the County's Funds

As noted earlier, Meade County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Overview

The focus on Meade County governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved funds balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2007, the combined ending fund balance of County governmental funds was \$5,921,402. Approximately 87% (\$5,181,046) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purpose of the specific funds. The remainder of fund balance (\$740,356) is reserved to indicate that it is not available for new spending because it is committed.

The County has 6 major governmental funds. These are: 1) General Fund; 2) Road Fund; 3) Community Development and Block Grant Fund; 4) Jail Fund; 5) Local Government Economic Assistance Fund; 6) Jail Bond Proceeds Fund.

1. The General Fund is the chief operating fund of Meade County. At the end of June 30, 2007 fiscal year, the fund balance was \$3,590,097. The County received \$3,570,884 from tax revenues. This accounts for approximately 68% of the General Fund revenues.
2. The Road Fund is the fund related to county road and bridge construction and maintenance. The Road Fund had \$1,032,119 in fund balance at June 30, 2007. The fund balance at the end of the previous year was \$1,069,044. The fiscal year 2007 expenditures for road projects were \$1,423,924.
3. The CDBG Fund had \$3,000 in fund balance at June 30, 2007. This fund is used to administer the federal grant money received for the Community Development Block Grant. The federal money is received by Meade County Fiscal Court and distributed to the Lincoln Trail Health Department.
4. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a fund balance at June 30, 2007 of \$109,731. That is

**Meade County
Management's Discussion and Analysis
June 30, 2007
(Continued)**

Financial Analysis of the County's Funds (Continued)

4. an increase in fund balance of \$24,870 over the previous fiscal year end. The Jail Fund received \$969,483 from intergovernmental sources.
5. The Local Government Economic Assistance Fund had a fund balance of \$623,170 at June 30, 2007. This is an increase of \$90,307 over the previous fiscal year end.
6. The Jail Bond Proceeds Fund is used for payment of principal and interest to bond holders and had a fund balance of \$563,285 as of June 30, 2007.

Proprietary Funds Overview

The County's proprietary fund statements provide the same type of information found in the business-type activities column of the government-wide statements, but in more detail. Meade County has one enterprise fund, the Jail Canteen Fund. The Jail Canteen Fund had net assets of \$16,064 and a cash balance of \$17,512 as of June 30, 2007.

General Fund Budgetary Highlights

The County's original budget was amended during the current year to account for \$97,325 in unanticipated excess fees.

Actual operating revenues were \$814,282 more than originally budgeted by Fiscal Court and actual operating expenditures were \$439,343 less than originally budgeted by Fiscal Court.

Capital Assets and Debt Administration

Capital Assets:

Meade County's investment in capital assets for its government activities as of June 30, 2007, amounts to \$15,858,279 (net of accumulated depreciation). This investment in capital assets includes, land, buildings, improvements to land and buildings, equipment, vehicles, and current year infrastructure assets per GASB 34 provisions. Additional information on the County's capital assets can be found in Note 4 of this report.

Long-Term Debt:

At the end of the 2007 fiscal year, Meade County had total long-term debt outstanding of \$11,861,000. The amount of this debt due within the next year is \$370,000 and \$11,491,000 is due in subsequent years.

**Meade County
Management's Discussion and Analysis
June 30, 2007
(Continued)**

Requests for Information

This financial report is designed to provide a general overview of Meade County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this requests for additional financial information should be addressed to:

**Meade County Treasurer
Shirley Fackler
516 Fairway Drive
Brandenburg, KY 40108**

MEADE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Meade County Solid Waste Department
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 5,921,402	\$ 17,512	\$ 5,938,914	\$ 230,569
Due from Water District - Current Portion	70,000	-0-	70,000	-0-
Due from Solid Waste - Current Portion	20,000	-0-	20,000	-0-
Total Current Assets	6,011,402	17,512	6,028,914	230,569
Noncurrent Assets:				
Due from Water District - Net of Current	606,000	-0-	606,000	-0-
Due from Solid Waste - Net of Current	430,000	-0-	430,000	-0-
Capital Assets-				
Land and Land Improvements	6,123,682	-0-	6,123,682	-0-
Buildings	7,354,032	-0-	7,354,032	-0-
Building Improvements	63,767	-0-	63,767	-0-
Vehicles	653,283	-0-	653,283	-0-
Equipment	1,054,554	-0-	1,054,554	-0-
Infrastructure	608,961	-0-	608,961	-0-
Capital assets, net	15,858,279	-0-	15,858,279	263,494
Total Noncurrent Assets	16,894,279	-0-	16,894,279	263,494
Total Assets	22,905,681	17,512	22,923,193	494,063
LIABILITIES				
Current Liabilities:				
Accounts Payable	-0-	1,448	1,448	-0-
Due to Fiscal Court - Current Portion				20,000
Long-term Debt - Current Portion	-0-	-0-	-0-	49,634
Revenue Bonds Payable	90,000	-0-	90,000	-0-
Financing Obligations Payable	280,000	-0-	280,000	-0-
Total Current Liabilities	370,000	1,448	371,448	69,634
Noncurrent Liabilities				
Due to Fiscal Court - Net of Current	-0-	-0-	-0-	430,000
Long-term Debt - Net of Current	-0-	-0-	-0-	239,083
General Obligation Bonds Payable	3,985,000	-0-	3,985,000	-0-
Revenue Bonds Payable	845,000	-0-	845,000	-0-
Financing Obligations Payable	6,661,000	-0-	6,661,000	-0-
Total Noncurrent Liabilities	11,491,000	-0-	11,491,000	669,083
Total Liabilities	11,861,000	1,448	11,862,448	738,717
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	5,123,279	-0-	5,123,279	(25,223)
Restricted For:				
Debt Service	740,356	-0-	740,356	-0-
Unrestricted	5,181,046	16,064	5,197,110	(219,431)
Total Net Assets	\$ 11,044,681	\$ 16,064	\$ 11,060,745	\$ (244,654)

The accompanying notes are an integral part of the financial statements.

MEADE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs Reporting Entity	Expenses	Program Revenues Received			Net (Disbursements) Receipts and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Totals	
Primary Government:								
Governmental Activities								
General Government	\$ 2,623,076	\$ 101,521	\$ 25,860	\$ 143,849	\$ (2,351,846)	\$ -0-	\$ (2,351,846)	\$ -0-
Protection to Persons and Property	2,435,978	1,789,442	596,409	123,600	73,473	-0-	73,473	-0-
General Health and Sanitation	376,665	-0-	-0-	-0-	(376,665)	-0-	(376,665)	-0-
Social Services	9,991	-0-	-0-	-0-	(9,991)	-0-	(9,991)	-0-
Recreation and Culture	196,545	59,369	-0-	-0-	(137,176)	-0-	(137,176)	-0-
Roads	1,018,351	98,179	1,046,558	2,527	128,913	-0-	128,913	-0-
Transportation Facilities and Services	10,828	-0-	-0-	-0-	(10,828)	-0-	(10,828)	-0-
Capital Projects	7,000	-0-	-0-	-0-	(7,000)	-0-	(7,000)	-0-
Debt Service	579,658	-0-	-0-	-0-	(579,658)	-0-	(579,658)	-0-
Depreciation	439,165	-0-	-0-	-0-	(439,165)	-0-	(439,165)	-0-
Total Governmental Activities	<u>7,697,257</u>	<u>2,048,511</u>	<u>1,668,827</u>	<u>269,976</u>	<u>(3,709,943)</u>	<u>-0-</u>	<u>(3,709,943)</u>	<u>-0-</u>
Business-type Activities:								
Jail Canteen Fund	117,608	113,603	-0-	-0-	-0-	(4,005)	(4,005)	-0-
Total Business-type Activities	<u>117,608</u>	<u>113,603</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(4,005)</u>	<u>(4,005)</u>	<u>-0-</u>
Total Primary Government	<u>7,814,865</u>	<u>2,162,114</u>	<u>1,668,827</u>	<u>269,976</u>	<u>(3,709,943)</u>	<u>(4,005)</u>	<u>(3,713,948)</u>	<u>-0-</u>
Component Unit:								
Meade County Solid Waste Department	<u>\$ 1,673,216</u>	<u>\$ 1,479,909</u>	<u>\$ 21,377</u>	<u>\$ -0-</u>				<u>\$ (171,930)</u>
General Revenues:								
Taxes:								
Real Property Taxes					1,621,659	-0-	1,621,659	-0-
Personal Property Taxes					452,838	-0-	452,838	-0-
Motor Vehicle Taxes					263,867	-0-	263,867	-0-
Insurance License/fee taxes					946,300	-0-	946,300	-0-
Other Taxes					286,220	-0-	286,220	-0-
Excess Fees					224,810	-0-	224,810	-0-
Licenses and Permits					133,200	-0-	133,200	-0-
Unrestricted Investment Earnings					217,630	-0-	217,630	8,121
Miscellaneous Revenues					109,041	-0-	109,041	7,619
Total General Revenues and Transfers					<u>4,255,565</u>	<u>-0-</u>	<u>4,255,565</u>	<u>15,740</u>
Change in Net Assets					545,622	(4,005)	541,617	(156,190)
Net Assets - Beginning					10,499,059	20,069	10,519,128	(88,464)
Net Assets - Ending					<u>\$ 11,044,681</u>	<u>\$ 16,064</u>	<u>\$ 11,060,745</u>	<u>\$ (244,654)</u>

The accompanying notes are an integral part of the financial statements.

MEADE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
JUNE 30, 2007

	<u>General Fund</u>	<u>Road Fund</u>	<u>CDBG Fund</u>	<u>Jail Fund</u>	<u>LGEA Fund</u>	<u>Jail Bond Proceeds Fund</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and Cash Equivalents	<u>\$ 3,590,097</u>	<u>\$ 1,032,119</u>	<u>\$ 3,000</u>	<u>\$ 109,731</u>	<u>\$ 623,170</u>	<u>\$ 563,285</u>	<u>\$ 5,921,402</u>
Total Assets	<u>3,590,097</u>	<u>1,032,119</u>	<u>3,000</u>	<u>109,731</u>	<u>623,170</u>	<u>563,285</u>	<u>5,921,402</u>
FUND BALANCES							
Reserved for:							
Encumbrances	57,926	93,462	-0-	25,683	-0-	-0-	177,071
Debt Service Fund	-0-	-0-	-0-	-0-	-0-	563,285	563,285
Unreserved							
General Fund	3,532,171	-0-	-0-	-0-	-0-	-0-	3,532,171
Special Revenue Funds	<u>-0-</u>	<u>938,657</u>	<u>3,000</u>	<u>84,048</u>	<u>623,170</u>	<u>-0-</u>	<u>1,648,875</u>
Total Fund Balances	<u>\$ 3,590,097</u>	<u>\$ 1,032,119</u>	<u>\$ 3,000</u>	<u>\$ 109,731</u>	<u>\$ 623,170</u>	<u>\$ 563,285</u>	<u>\$ 5,921,402</u>

The accompanying notes are an integral part of the financial statements.

MEADE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
JUNE 30, 2007

Reconciliation of the Balance Sheet - Government Funds to the Statement of Net Assets:

Total Fund Balances	\$ 5,921,402
Amounts reported for governmental activities in the statement of net assets are different because:	
Notes receivable used in governmental activities are not current financial resources	1,126,000
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	20,141,389
Accumulated depreciation	(4,283,110)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds	
General Obligation Bonds	(3,985,000)
Revenue Bonds	(935,000)
Financing Obligations	<u>(6,941,000)</u>
Net Assets of Governmental Activities	<u>\$ 11,044,681</u>

The accompanying notes are an integral part of the financial statements.

MEADE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>General Fund</u>	<u>Road Fund</u>	<u>CBDG Fund</u>	<u>Jail Fund</u>	<u>LGEA Fund</u>	<u>Jail Bond Proceeds Fund</u>	<u>Total Governmental Funds</u>
REVENUES							
Taxes	\$ 3,570,884	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 3,570,884
Excess Fees	224,810	-0-	-0-	-0-	-0-	-0-	224,810
Licenses and Permits	133,200	-0-	-0-	-0-	-0-	-0-	133,200
Intergovernmental	205,421	1,049,084	126,915	969,483	520,714	-0-	2,871,617
Charges for Services	846,779	98,179	-0-	39,387	131,351	-0-	1,115,696
Miscellaneous	127,947	643	-0-	42,453	-0-	-0-	171,043
Interest	139,554	39,093	-0-	985	13,501	24,497	217,630
Total Revenues	<u>5,248,595</u>	<u>1,186,999</u>	<u>126,915</u>	<u>1,052,308</u>	<u>665,566</u>	<u>24,497</u>	<u>8,304,880</u>
EXPENDITURES							
General Government	1,057,481	-0-	-0-	9,244	-0-	-0-	1,066,725
Protection to Persons and Property	1,020,164	-0-	-0-	1,078,460	337,354	-0-	2,435,978
General Health and Sanitation	345,665	-0-	-0-	31,000	-0-	-0-	376,665
Social Services	9,991	-0-	-0-	-0-	-0-	-0-	9,991
Recreation and Culture	196,545	-0-	-0-	-0-	-0-	-0-	196,545
Roads	-0-	1,018,351	-0-	-0-	-0-	-0-	1,018,351
Transportation Facilities and Services	-0-	10,828	-0-	-0-	-0-	-0-	10,828
Capital Projects	-0-	-0-	7,000	-0-	-0-	-0-	7,000
Debt Services	572,890	157,685	116,915	-0-	54,830	446,385	1,348,705
Capital Outlay	189,985	83,205	-0-	-0-	111,234	-0-	384,424
Administration	1,082,268	153,855	-0-	248,388	71,841	-0-	1,556,352
Total Expenditures	<u>4,474,989</u>	<u>1,423,924</u>	<u>123,915</u>	<u>1,367,092</u>	<u>575,259</u>	<u>446,385</u>	<u>8,411,564</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>773,606</u>	<u>(236,925)</u>	<u>3,000</u>	<u>(314,784)</u>	<u>90,307</u>	<u>(421,888)</u>	<u>(106,684)</u>
Other Financing Sources (Uses)							
Loan Proceeds							-0-
Transfers From Other Funds	-0-	200,000	-0-	339,654	-0-	446,384	986,038
Transfers To Other Funds	(986,038)	-0-	-0-	-0-	-0-	-0-	(986,038)
Total Other Financing Sources (Uses)	<u>(986,038)</u>	<u>200,000</u>	<u>-0-</u>	<u>339,654</u>	<u>-0-</u>	<u>446,384</u>	<u>-0-</u>
Net Change in Fund Balances	(212,432)	(36,925)	3,000	24,870	90,307	24,496	(106,684)
Fund Balances - Beginning	3,802,529	1,069,044	-0-	84,861	532,863	538,789	6,028,086
Fund Balances - Ending	<u>\$ 3,590,097</u>	<u>\$ 1,032,119</u>	<u>\$ 3,000</u>	<u>\$ 109,731</u>	<u>\$ 623,170</u>	<u>\$ 563,285</u>	<u>\$ 5,921,402</u>

The accompanying notes are an integral part of the financial statements.

MEADE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ (106,684)
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Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlay as expenditures. However, in the
statement of activities the cost of those assets are allocated over their
estimated useful lives and reported as depreciation expense.

Capital outlay	384,424
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Depreciation expense	(439,165)
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Change in notes receivable as a result of payment on debt
by the Meade County Water District

	(62,000)
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Financing obligations and bond principal payments are expensed in the
Governmental Funds as a use of current financial resources. However,
these amounts decrease non-current liabilities on the statement of net
assets and have been eliminated on the statement of activities.

Financing Obligations	434,047
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Revenue Bonds	90,000
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General Obligation Bonds	<u>245,000</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ 545,622</u></u>
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The accompanying notes are an integral part of the financial statements.

The accompanying notes are an integral part of the financial statements.

MEADE COUNTY
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUND - MODIFIED CASH BASIS
JUNE 30, 2007

	<u>Business-Type Activities- Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 17,512
Total Current Assets	<u>17,512</u>
Liabilities	
Current Liabilities:	
Accounts Payable	1,448
Total Current Liabilities	<u>1,448</u>
Net Assets	
Unrestricted	16,064
Total Net Assets	<u>\$ 16,064</u>

The accompanying notes are an integral part of the financial statements.

MEADE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS-
PROPRIETARY FUND - MODIFIED CASH BASIS
JUNE 30, 2007

	<u>Business-Type Activities- Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Operating Revenues	
Canteen Revenues	\$ 113,603
Total Operating Revenues	<u>113,603</u>
Operating Expenses	
Cost of Goods Sold and Other Expenses	<u>117,608</u>
Total Operating Expenses	<u>117,608</u>
Operating Income	<u>(4,005)</u>
Change In Net Assets	(4,005)
Total Net Assets - Beginning	20,069
Total Net Assets - Ending	<u><u>\$ 16,064</u></u>

The accompanying notes are an integral part of the financial statements.

MEADE COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - MODIFIED CASH BASIS
JUNE 30, 2007

	<u>Business-Type Activities- Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities	
Canteen Receipts	\$ 113,603
Cost of Goods Sold and Other Expenses	<u>(118,634)</u>
 Net Cash Used by Operating Activities	 <u>(5,031)</u>
 Cash and Cash Equivalents - July 1, 2006	 22,543
 Cash and Cash Equivalents - June 30, 2007	 <u>\$ 17,512</u>
 Reconciliation of Operating Income to Net Cash Used by Operating Activities	
 Operating Income	 \$ (4,005)
Change in accounts payable	<u>(1,026)</u>
 Net Cash Used By Operating Activities	 <u>\$ (5,031)</u>

The accompanying notes are an integral part of the financial statements.

MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet – Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements. However, the financial statements of the Meade County Solid Waste Department, a discretely presented component unit, have been prepared under accounting principles generally accepted in the United States of America, which is inconsistent with the basis of accounting Meade County, Kentucky, uses to prepare its financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet – Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Meade County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely

**MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
JUNE 30, 2007**

NOTE 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Discretely Presented Component Units

The component unit's columns in the government-wide financial statements include the data of the following organization. It is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Unit" to emphasize this organizations' separateness from the fiscal court's primary government.

Meade County Solid Waste Department

The Meade County Solid Waste Department (Department) was created and exists pursuant to the provisions of Kentucky Revised Statutes 109 and by the Fiscal Court. The Department was created with the mission to provide garbage collection of solid waste in Meade County. The Fiscal Court appoints a majority of the Department's board and the Department was deemed a component unit of Meade County Fiscal Court. In January 2007, the Meade County Fiscal Court dissolved the 109 Board as the governing body for the Department and empowered the Fiscal Court to be the new governing body. The Department is included as a discretely presented component unit on Meade County's financial statements and was audited by other auditors. A copy of this report may be obtained from the Meade County Treasurer.

Meade County Riverport Authority

The Meade County Riverport Authority was created to bring businesses to Meade County along the Ohio River. The Authority had no assets or activity on its own in fiscal year 2007.

C. Meade County Constitutional Elected Officials

The Kentucky constitution provides for election of the officials below from the geographic area constituting Meade County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and

**MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
JUNE 30, 2007**

Note 1. Summary of Significant Accounting Policies (Continued)

C. Meade County Constitutional Elected Officials (Continued)

can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Meade County, Kentucky.

Circuit Court Clerk
County Attorney
Property Valuation Administrator
County Clerk
County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The government-wide statements are reported using the economic resources measurement focus and the modified cash basis of accounting, as do the proprietary fund financial statements. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets – resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets – those assets that do not meet the definition of restricted net assets or invested in capital assets.

**MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
JUNE 30, 2007**

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes, and unrestricted state funds, are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

All governmental fund statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. The modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The primary government reports the following major governmental funds:

General Fund – This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for

Local Development requires a separate fund or where management requires that a separate fund be used for some function. The Ambulance Fund was included in the General Fund this year.

**MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
JUNE 30, 2007**

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Road Fund – This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund – The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

CDBG Fund – The purpose of this fund is to administer the federal grant money received for the Community Development Block Grant.

LGEA Fund – The purpose of this fund is to account for funds received from the state for mineral severance taxes and E-911 service collections. The funds are used primarily for public safety.

Jail Bond Proceeds Fund – The purpose of this fund is to account for debt service requirements of general obligation bonds of the fiscal court.

Special Revenue Funds:

The Road Fund, Jail Fund, and the LGEA Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

The Jail Bond Proceeds Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

**MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
JUNE 30, 2007**

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Capital Project Fund:

The county had only one capital project fund, the CDBG fund.

Generally, and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessments, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Proprietary Funds

All proprietary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund – The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

**MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
JUNE 30, 2007**

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the governments capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction in Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	10-60
Buildings and Building Improvemen	\$ 5,000	3-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 5,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

**MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
JUNE 30, 2007**

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, is reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are considered encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet – Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1. The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance

**MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
JUNE 30, 2007**

Note 1. Summary of Significant Accounting Policies (Continued)

I. Budgetary Information (Continued)

Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted because the fiscal court does not approve the expenses made from these funds.

J. Related Organizations and Joint Venture

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Meade County Fiscal Court: Meade County Tourism Commission, Meade County Water District, Meade County Planning and Zoning, Meade County Fire Department, Meade County Conservation District, and the Meade County Library District.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Meade County Fiscal Court: Meade County Industrial Authority.

Note 2. Deposits

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
JUNE 30, 2007

Note 2. Deposits (Continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution's failure, the County's deposits may not be returned. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2007 all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Operating Leases

The fiscal court entered into a lease agreement for an old state highway garage building and land to be used by various county departments. The total expense related to this lease was \$3,500 for the fiscal year ended June 30, 2007. The future minimum lease payments for this lease are as follows:

<u>Fiscal Year Ended</u>	<u>Amount</u>
<u>June 30</u>	
2008	\$ 3,500
2009	3,500
2010	<u>3,500</u>
 Total Minimum Lease Payments	 <u><u>\$ 10,500</u></u>

MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
JUNE 30, 2007

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

Primary Government: Governmental Activities:	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 6,115,551	\$ -0-	\$ -0-	\$ 6,115,551
Total Capital Assets Not Being Depreciated	<u>6,115,551</u>	<u>-0-</u>	<u>-0-</u>	<u>6,115,551</u>
Capital Assets Being Depreciated:				
Buildings	9,651,627	-0-	-0-	9,651,627
Building Improvements	72,514	-0-	-0-	72,514
Land Improvements	196,353	-0-	-0-	196,353
Equipment	1,447,302	124,230	-0-	1,571,532
Vehicles	1,452,092	260,194	-0-	1,712,286
Infrastructure	821,525	-0-	-0-	821,525
Total Capital Assets Being Depreciated	<u>13,641,413</u>	<u>384,424</u>	<u>-0-</u>	<u>14,025,837</u>
Less Accumulated Depreciation For:				
Buildings	(2,131,164)	(166,431)	-0-	(2,297,595)
Building Improvements	(5,642)	(3,105)	-0-	(8,747)
Land Improvements	(177,217)	(11,005)	-0-	(188,222)
Equipment	(435,500)	(81,478)	-0-	(516,978)
Vehicles	(923,488)	(135,515)	-0-	(1,059,003)
Infrastructure	(170,933)	(41,631)	-0-	(212,564)
Total Accumulated Depreciation	<u>(3,843,944)</u>	<u>(439,165)</u>	<u>-0-</u>	<u>(4,283,109)</u>
Total Capital Assets Being Depreciated, Net	<u>9,797,469</u>	<u>(54,741)</u>	<u>-0-</u>	<u>9,742,728</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,913,020</u>	<u>\$ (54,741)</u>	<u>\$ -0-</u>	<u>\$ 15,858,279</u>

**MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
JUNE 30, 2007**

Note 4. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 46,130
Protection to Persons and Property	238,470
General Health and Sanitation	36,274
Recreation and Culture	26,326
Roads, Including Depreciation of General Infrastructure Assets	<u>91,965</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 439,165</u></u>

Note 5. Long-term Debt

A. General Obligation Bonds, Series 1999

Meade County Fiscal Court issued general obligation bonds of \$5,330,000, series 1999, dated July 1, 1999, to finance construction of the new detention facility. These bonds were issued at varying interest rates ranging from 3.9% to 4.9%, and will be retired by July 1, 2019. Interest payments are due on January 1 and interest and principal July 1. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ -0-	\$ 196,056
2009	255,000	185,118
2010	270,000	173,433
2011	280,000	160,918
2012	290,000	147,735
2013-2020	<u>2,890,000</u>	<u>601,006</u>
 Totals	 <u><u>\$ 3,985,000</u></u>	 <u><u>\$ 1,464,266</u></u>

**MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
JUNE 30, 2007**

Note 5. Long-term Debt (Continued)

B. Health Care Facility Revenue Bonds, Series 1995

Meade County Fiscal Court issued health care facility revenue bonds, series 1995, dated February 1, 1995, to fund the construction of a health care facility to be operated by JH Properties, Inc. JH Properties makes the principal and interest payments in lieu of rent, to the bond trustee. These bonds were issued at an interest rate of 6.49%, and will be retired by October 1, 2014. Interest payments are due on April 1; interest and principal October 1. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	90,000	57,761
2009	100,000	51,596
2010	105,000	44,943
2011	110,000	37,967
2012	120,000	30,503
2013-2015	410,000	40,887
Totals	<u>\$ 935,000</u>	<u>\$ 263,657</u>

C. Water District – Financing Obligations and Due from Meade County Water District

1. Waterlines

On November 8, 1995, the fiscal court, on behalf of the Meade County Water District, entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$795,000 at 5.15% for the construction of waterlines. The lease term is for 20 years with the balance to be paid in full on January 20, 2015. The Meade County Water District makes the principal and interest payments to the fiscal court, which in turn pays the trustee. Principal payment requirements and scheduled interest for the remaining term of the agreement are as follows:

MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
JUNE 30, 2007

Note 5. Long-term Debt (Continued)

C. Water District – Financing Obligations and Due from Meade County Water District (Continued)

1. Waterlines (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	45,000	25,146
2009	47,000	22,316
2010	49,000	19,362
2011	52,000	16,260
2012	54,000	12,997
2013-2015	179,000	17,808
Totals	<u>\$ 426,000</u>	<u>\$ 113,889</u>

2. Building

On December 18, 2001, the fiscal court on behalf of the Meade County Water District entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$350,000 at 4.6% for the construction of a building. The lease term is for 15 years with the balance to be paid in full on January 20, 2016. The Meade County Water District makes the principal and interest payments to the fiscal court, which in turn pays the trustee. Principal payment requirements and scheduled interest for the remaining term of the agreement are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	25,000	12,893
2009	25,000	11,548
2010	25,000	10,202
2011	25,000	8,857
2012	30,000	7,400
2013-2016	120,000	13,454
Totals	<u>\$ 250,000</u>	<u>\$ 64,354</u>

**MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
JUNE 30, 2007**

Note 5. Long-term Debt (Continued)

D. Other Financing Obligations

1. Meade County Solid Waste Debt Assumption & Due from Meade County Solid Waste Department

On May 30, 2007, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$450,000 at 4.25% for the assumption of debt owed by the Meade County Solid Waste Department to Kentucky Infrastructure Authority ("KIA") and Kentucky Association of Counties Leasing Trust ("KACOLT") as well as for an addition of a building at the Meade County Solid Waste Facility. Additional proceeds were used to finance the purchase of dump trucks, and to finance the purchase of maintenance equipment for use by Meade County. The lease term is for twelve years with the balance to be paid in full on June 20, 2019. Principal payment requirements and scheduled interest for the remaining term of the agreement are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	20,000	23,977
2009	25,000	20,974
2010	40,000	19,514
2011	40,000	17,958
2012	40,000	15,976
2013-2019	285,000	55,045
Totals	<u>\$ 450,000</u>	<u>\$ 153,444</u>

MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
JUNE 30, 2007

Note 5. Long-term Debt (Continued)

D. Other Financing Obligations (Continued)

2. Land

On March 16, 2006, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$6,000,000 at 4.18% for the purchase of land. The lease term is for 20 years with the balance to be paid in full on July 20, 2026. Principal payment requirements and scheduled interest for the remaining term of the agreement are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	190,000	280,051
2009	200,000	273,074
2010	210,000	263,081
2011	220,000	252,584
2012	235,000	241,535
2013-2026	4,760,000	1,857,415
Totals	<u>\$ 5,815,000</u>	<u>\$ 3,167,740</u>

E. Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bond	\$ 4,230,000	\$ -0-	\$ 245,000	\$ 3,985,000	\$ -0-
Revenue Bonds	1,025,000	-0-	90,000	935,000	90,000
Financing Obligations	6,925,047	450,000	434,047	6,941,000	280,000
Governmental activities					
Long-term Liabilities	<u>\$ 12,180,047</u>	<u>\$ 450,000</u>	<u>\$ 769,047</u>	<u>\$ 11,861,000</u>	<u>\$ 370,000</u>

**MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
JUNE 30, 2007**

Note 6. Interest on Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$347,858 in interest on financing obligations and \$228,300 in interest on bonds.

Note 7. Employee Retirement System

The fiscal court and the Meade County Solid Waste Department, a discretely presented component unit, have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for non-hazardous employees was 10.98 percent.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124 or by telephone at (502) 564-4646.

Note 8. Deferred Compensation

The Meade County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full-time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

**MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
JUNE 30, 2007**

Note 8. Deferred Compensation (Continued)

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. That report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority, 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2007, Meade County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Related Party Transaction

During the current fiscal year the Meade County Fiscal Court issued a check to Steve Wardrip Trucking for work that was completed, since his company had the equipment to do so. Steve Wardrip, a magistrate of the Meade County Fiscal Court, is the owner of this company. However, since the party involved did not charge the county for these services, only the cost, the Fiscal Court felt it was not a significant issue.

**MEADE COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2007**

MEADE COUNTY
BUDGETARY COMPARISON SCHEDULES
REQUIRED SUPPLEMENTARY INFORMATION - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2007

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 3,099,300	\$ 3,099,300	\$ 3,570,884	\$ 471,584
Excess Fees	139,939	237,264	224,810	(12,454)
Licenses and Permits	83,300	83,300	133,200	49,900
Intergovernmental	167,649	167,649	205,421	37,772
Charges for Services	687,800	687,800	846,779	158,979
Miscellaneous	106,000	106,000	127,947	21,947
Interest	53,000	53,000	139,554	86,554
Total Revenues	<u>4,336,988</u>	<u>4,434,313</u>	<u>5,248,595</u>	<u>814,282</u>
EXPENDITURES				
General Government	1,485,806	1,507,505	1,057,481	450,024
Protection to Persons and Property	1,156,613	1,156,613	1,020,164	136,449
General Health and Sanitation	122,274	122,274	345,665	(223,391)
Social Services	15,290	15,290	9,991	5,299
Recreation and Culture	223,851	223,851	196,545	27,306
Debt Services	575,622	575,622	572,890	2,732
Capital Outlay	-0-	75,626	189,985	(114,359)
Administration	1,237,551	1,237,551	1,082,268	155,283
Total Expenditures	<u>4,817,007</u>	<u>4,914,332</u>	<u>4,474,989</u>	<u>439,343</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(480,019)</u>	<u>(480,019)</u>	<u>773,606</u>	<u>1,253,625</u>
Other Financing Sources (Uses)				
Transfers To Other Funds	(1,091,351)	(1,091,351)	(986,038)	105,313
Total Other Financing Sources (Uses)	<u>(1,091,351)</u>	<u>(1,091,351)</u>	<u>(986,038)</u>	<u>105,313</u>
Net Change in Fund Balances	(1,571,370)	(1,571,370)	(212,432)	1,358,938
Fund Balances - Beginning	1,571,370	1,571,370	3,802,529	2,231,159
Fund Balances - Ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 3,590,097</u>	<u>\$ 3,590,097</u>

MEADE COUNTY
BUDGETARY COMPARISON SCHEDULES
REQUIRED SUPPLEMENTARY INFORMATION - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2007

	ROAD FUND			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,025,190	\$ 1,025,190	\$1,049,084	\$ 23,894
Charges for Services	94,560	94,560	98,179	3,619
Miscellaneous	2,000	2,000	643	(1,357)
Interest	10,000	10,000	39,093	29,093
Total Revenues	<u>1,131,750</u>	<u>1,131,750</u>	<u>1,186,999</u>	<u>55,249</u>
EXPENDITURES				
Roads	1,540,155	1,540,155	1,018,351	521,804
Transportation Facilities and Services	11,000	11,000	10,828	172
Debt Services	40,500	40,500	157,685	(117,185)
Capital Outlay	10,000	10,000	83,205	(73,205)
Administration	170,089	170,089	153,855	16,234
Total Expenditures	<u>1,771,744</u>	<u>1,771,744</u>	<u>1,423,924</u>	<u>347,820</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(639,994)</u>	<u>(639,994)</u>	<u>(236,925)</u>	<u>403,069</u>
Other Financing Sources (Uses)				
Transfers from other funds	150,000	150,000	200,000	50,000
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>150,000</u>	<u>200,000</u>	<u>50,000</u>
Net Change in Fund Balances	(489,994)	(489,994)	(36,925)	453,069
Fund Balances - Beginning	489,994	489,994	1,069,044	579,050
Fund Balances - Ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$1,032,119</u>	<u>\$ 1,032,119</u>

MEADE COUNTY
BUDGETARY COMPARISON SCHEDULES
REQUIRED SUPPLEMENTARY INFORMATION - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2007

JAIL FUND				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Intergovernmental	\$ 90,793	\$ 90,793	\$ 969,483	\$ 878,690
Charges for Services	967,737	967,737	39,387	(928,350)
Miscellaneous	57,932	57,932	42,453	(15,479)
Interest	1,000	1,000	985	(15)
Total Revenues	<u>1,117,462</u>	<u>1,117,462</u>	<u>1,052,308</u>	<u>(65,154)</u>
EXPENDITURES				
General Government	9,685	9,685	9,244	441
Protection to Persons and Property	1,236,431	1,236,431	1,078,460	157,971
General Health and Sanitation	10,000	10,000	31,000	(21,000)
Capital Outlay	-0-	-0-	-0-	-0-
Administration	261,000	261,000	248,388	12,612
Total Expenditures	<u>1,517,116</u>	<u>1,517,116</u>	<u>1,367,092</u>	<u>150,024</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(399,654)</u>	<u>(399,654)</u>	<u>(314,784)</u>	<u>84,870</u>
Other Financing Sources (Uses)				
Transfers from Other Funds	314,654	314,654	339,654	25,000
Total Other Financing Sources (Uses)	<u>314,654</u>	<u>314,654</u>	<u>339,654</u>	<u>25,000</u>
Net Change in Fund Balances	(85,000)	(85,000)	24,870	109,870
Fund Balances - Beginning	85,000	85,000	84,861	(139)
Fund Balances - Ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 109,731</u>	<u>\$ 109,731</u>

MEADE COUNTY
BUDGETARY COMPARISON SCHEDULES
REQUIRED SUPPLEMENTARY INFORMATION - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2007

	LGEA FUND			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Intergovernmental	\$ 863,005	\$ 863,005	\$ 520,714	\$ (342,291)
Charges for Services	131,160	131,160	131,351	191
Miscellaneous	1,500	1,500	-0-	
Interest	5,000	5,000	13,501	8,501
Total Revenues	<u>1,000,665</u>	<u>1,000,665</u>	<u>665,566</u>	<u>(333,599)</u>
EXPENDITURES				
Protection to Persons and Property	681,327	681,327	337,354	343,973
Capital Outlay	333,005	333,005	111,234	221,771
Debt Services	51,000	51,000	54,830	(3,830)
Administration	93,341	93,341	71,841	21,500
Total Expenditures	<u>1,158,673</u>	<u>1,158,673</u>	<u>575,259</u>	<u>583,414</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(158,008)</u>	<u>(158,008)</u>	<u>90,307</u>	<u>248,315</u>
Other Financing Sources (Uses)				
Transfers to Other Funds	<u>(25,000)</u>	<u>(25,000)</u>	<u>-0-</u>	<u>25,000</u>
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>-0-</u>	<u>25,000</u>
Net Change in Fund Balances	<u>(183,008)</u>	<u>(183,008)</u>	<u>90,307</u>	<u>273,315</u>
Fund Balances - Beginning	<u>183,008</u>	<u>183,008</u>	<u>532,863</u>	<u>349,855</u>
Fund Balances - Ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 623,170</u>	<u>\$ 623,170</u>

MEADE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2007

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Joseph E. Richardson
William A. Talley
Jon D. Chesser
Bob E. Wientjes
Ruth A. Payne

Kentucky Offices:
Louisville
Brandenburg
Hardinsburg
Leitchfield

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

The Honorable Harry Craycroft, Meade County Judge/Executive
Members of the Meade County Fiscal Court

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Meade County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 22, 2008. Our report was modified to include a reference to other auditors. Meade County, Kentucky presents its financial statements on the modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Meade County Solid Waste Department, as described in our report on Meade County, Kentucky's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Meade County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Meade County, Kentucky's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Meade County, Kentucky's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Meade County, Kentucky's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Meade County, Kentucky's financial statements that is more than inconsequential will not be prevented or detected by Meade County, Kentucky's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

We recognize the extent of segregation of duties is a judgment established by management. We also recognize this judgment is affected by certain circumstances beyond the Board's control such as budgetary constraints and a limited staff. However, the lack of adequate segregation of duties is hereby noted as a significant deficiency pursuant to professional auditing standards.

Management's response to the above mentioned finding was that due to a limited staff and budgetary constraints a proper segregation of duties was impossible.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Meade County, Kentucky's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Meade County, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described below.

Pursuant to KRS 61.210, "no public official shall, directly or indirectly, receive any benefits or emoluments from, furnish any material or other thing of value to be used in, or be interested in any contract let by the fiscal court for the construction of any roads, bridges, or parts thereof, or any other public internal improvement." There was one instance of this that was noted during the audit.

Management's response to the above mentioned finding was that they are aware of the issue but since the parties involved do not charge the county for these services, only the cost, it should not have been an issue. However, they did say that the parties involved still continue to perform the services since they have the equipment to do so.

Meade County, Kentucky's response to the findings identified in our audit is described above. We did not audit Meade County, Kentucky's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,


Richardson, Pennington & Skinner PSC

May 22, 2008

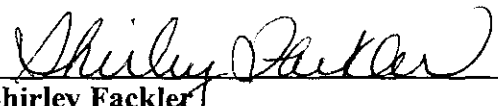
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
MEADE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2007

The Meade County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Harry S. Craycroft
County Judge/Executive



Shirley Fackler
County Treasurer